

**REPORT OF THE AUDIT OF THE  
MCLEAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2001**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MCLEAN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2001**

The Auditor of Public Accounts has completed the McLean County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$2,884,308 from the beginning of the fiscal year, resulting in a cash surplus of \$3,390,302 as of June 30, 2001.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2001, was \$3,550,000. Future collections of \$6,220,082 are needed over the next 27 years to pay all bonded debt principal and interest.

Lease principal payments totaled \$1,344,729 as of June 30, 2001. Future principal and interest payments of \$1,517,506 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Whitaker, McLean County Judge/Executive

Members of the McLean County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of McLean County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the McLean County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, McLean County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of McLean County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Larry Whitaker, McLean County Judge/Executive  
Members of the McLean County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2002 on our consideration of McLean County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of McLean County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 6, 2002



MCLEAN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Larry Whitaker	County Judge/Executive
Jessie Abney	Magistrate
Brent Hayden	Magistrate
Bobby Johnson	Magistrate
Bob Jennings	Magistrate

**Other Elected Officials:**

William Quisenberry, Jr.	County Attorney
Earlene Abney	Jailer
Linda R. Johnson	County Clerk
Stephanie King	Circuit Court Clerk
Judy Stratton	Sheriff
Shelia Fulkerson	Property Valuation Administrator
Mike Muster	Coroner

**Appointed Personnel:**

Sherry Boyken	County Treasurer
Betty Ray	Finance Officer



STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



MCLEAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	41,534	
Road and Bridge Fund:			
Cash		41,129	
Jail Fund:			
Cash		1,300	
Local Government Economic Assistance Fund:			
Cash		28,526	
Payroll Revolving Account - Cash		<u>556</u>	\$ 113,045

Special Revenue Fund Type

Ambulance Fund:			
Cash	\$	1,477	
Fire Department Fund:			
Cash		79,109	
Community Development Block Grant Revolving Loan Fund:			
Cash		79,380	
Health and Human Services Fund:			
Cash		57,893	
Adult Education Fund:			
Cash		12,286	
911 Fund:			
Cash		48,545	
Welfare to Work Fund:			
Cash		2,146	
Workforce Investment Act Fund:			
Cash		6,283	
Senior Citizens Fund:			
Cash		<u>455</u>	287,574

Capital Projects Fund Type

Justice Center Corporation Capital Projects Fund:			
Cash			2,865,143

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Assets and Other Resources (Continued)

Assets

Debt Service Fund Type

Justice Center Corporation Debt Service Fund:

Cash		\$	125,096
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Other Resources

Amounts to be Provided in Future Years for Capital

Lease Obligations - Principal Payments (Note 6)	\$	1,344,729
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Amounts to be Provided in Future Years for Bond

Principal Payments (Note 5)	3,424,904	4,769,633
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Total Assets and Other Resources

\$	8,160,491
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Liabilities and Fund Balances

Liabilities

Capital Lease Obligations (Note 6 )

\$	1,344,729
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Justice Center Corporation Bonds (Note 5)

3,550,000
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Payroll Revolving Account

556	\$	4,895,285
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Fund Balances

Reserved:

Capital Projects Fund Type

Justice Center Corporation Capital Projects Fund

2,865,143
-----------

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Reserved: (Continued)

Special Revenue Fund Type

Ambulance Fund	\$	1,477	
Fire Department Fund		79,109	
Community Development Block Grant Revolving Loan Fund		79,380	
Health and Human Services Fund		57,893	
Adult Education Fund		12,286	
911 Fund		48,545	
Welfare to Work Fund		2,146	
Workforce Investment Act Fund		6,283	
Senior Citizens Fund		455	\$ 287,574
		<hr/>	

Unreserved:

General Fund Type

General Fund	\$	41,534	
Road and Bridge Fund		41,129	
Jail Fund		1,300	
Local Government Economic Assistance Fund		28,526	112,489
		<hr/>	<hr/>
Total Liabilities and Fund Balances			\$ 8,160,491
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MCLEAN COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,236,650	\$ 1,067,580	\$ 1,028,603	\$ 33,924
Transfers In	4,082,714	353,592	70,000	127,900
Borrowed Money	388,252	20,000		
Interest Earned	6,652	6,652		
Bond Proceeds	3,420,710			
Good Faith Receipts	71,000			
Bond Interest	2,417			
Gain on Sale of Investments	18,069			
Kentucky Advance Revenue Program	663,800	638,600	25,200	
Total Cash Receipts	<u>\$ 11,890,264</u>	<u>\$ 2,086,424</u>	<u>\$ 1,123,803</u>	<u>\$ 161,824</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,556,042	\$ 1,010,514	\$ 812,416	\$ 164,571
Transfers Out	4,082,714	498,092	315,000	
Construction Costs	36,030	36,030		
Sweep Fees	122			
Costs to Issue Bonds	50,910			
Construction Costs	278,426			
Transaction Fees	2,283			
Costs to Invest	12,843			
Capital Leases - Principal Paid	322,786	99,006	12,813	
Kentucky Advance Revenue Program Repaid	663,800	638,600	25,200	
Total Cash Disbursements	<u>9,005,956</u>	<u>\$ 2,282,242</u>	<u>\$ 1,165,429</u>	<u>\$ 164,571</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 2,884,308	\$ (195,818)	\$ (41,626)	\$ (2,747)
Cash Balance - July 1, 2000	<u>505,994</u>	<u>237,352</u>	<u>82,755</u>	<u>4,047</u>
Cash Balance - June 30, 2001	<u>\$ 3,390,302</u>	<u>\$ 41,534</u>	<u>\$ 41,129</u>	<u>\$ 1,300</u>

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2001  
(Continued)

General Fund Type	Special Revenue Fund Type				
Local Government Economic Assistance Fund	Ambulance Fund	Fire Department Fund	Community Development Block Grant Revolving Loan Fund	Health and Human Services Fund	Adult Education Fund
\$ 73,774 37,892	\$ 303,149 168,000	\$ 147,392 38,349	\$ 40,338 71,252	\$ 222,260 89,572 297,000	\$ 22,303
<u>\$ 111,666</u>	<u>\$ 471,149</u>	<u>\$ 185,741</u>	<u>\$ 111,590</u>	<u>\$ 608,832</u>	<u>\$ 22,303</u>
\$ 44,347 53,892	\$ 459,772	\$ 129,953	\$ 40,823	\$ 578,604 37,892	\$ 34,804
13,000	9,900	15,200	4,286		
<u>\$ 111,239</u>	<u>\$ 469,672</u>	<u>\$ 145,153</u>	<u>\$ 45,109</u>	<u>\$ 616,496</u>	<u>\$ 34,804</u>
\$ 427 28,099	\$ 1,477 0	\$ 40,588 38,521	\$ 66,481 12,899	\$ (7,664) 65,557	\$ (12,501) 24,787
<u>\$ 28,526</u>	<u>\$ 1,477</u>	<u>\$ 79,109</u>	<u>\$ 79,380</u>	<u>\$ 57,893</u>	<u>\$ 12,286</u>

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2001  
(Continued)

	Special Revenue Fund Type			
	911 Fund	Welfare To Work Fund	Workforce Investment Act Fund	Senior Citizens Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 170,969	\$ 26,631	\$ 68,824	\$ 30,903
Transfers In	36,563			21,600
Borrowed Money				
Interest Earned				
Bond Proceeds				
Good Faith Receipts				
Bond Interest				
Gain on Sale of Investments				
Kentucky Advance Revenue Program				
Total Cash Receipts	<u>\$ 207,532</u>	<u>\$ 26,631</u>	<u>\$ 68,824</u>	<u>\$ 52,503</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 136,198	\$ 24,736	\$ 66,238	\$ 53,066
Transfers Out				
Construction Costs				
Sweep Fees				
Costs to Issue Bonds				
Construction Costs				
Transaction Fees				
Costs to Invest				
Capital Leases - Principal Paid	29,800			
Kentucky Advance Revenue Program Repaid				
Total Cash Disbursements	<u>\$ 165,998</u>	<u>\$ 24,736</u>	<u>\$ 66,238</u>	<u>\$ 53,066</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 41,534	\$ 1,895	\$ 2,586	\$ (563)
Cash Balance - July 1, 2000	<u>7,011</u>	<u>251</u>	<u>3,697</u>	<u>1,018</u>
Cash Balance - June 30, 2001	<u><u>\$ 48,545</u></u>	<u><u>\$ 2,146</u></u>	<u><u>\$ 6,283</u></u>	<u><u>\$ 455</u></u>

MCLEAN COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2001  
 (Continued)

Capital Projects Fund Type	Debt Service Fund Type
Justice Center Corporation Capital Projects Fund	Justice Center Corporation Debt Service Fund
\$ 3,139,246	\$
	3,420,710
	71,000
1,409	1,008
18,069	
<u>\$ 3,158,724</u>	<u>\$ 3,492,718</u>
\$	\$
	3,177,838
29	93
	50,910
278,426	
2,283	
12,843	
	138,781
<u>\$ 293,581</u>	<u>\$ 3,367,622</u>
\$ 2,865,143	\$ 125,096
0	0
<u>\$ 2,865,143</u>	<u>\$ 125,096</u>

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of McLean County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the McLean County Justice Center Corporation as part of the reporting entity.

The fiscal court has financial accountability for the McLean County Justice Center Corporation because the fiscal court is the governing body and can impose its will on the component unit based on the criteria stated in GASB 14.

Additional - McLean County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting McLean County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. McLean County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The McLean County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund.

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Ambulance Fund, Fire Department Fund, Community Block Development Grant Revolving Loan Fund, Health and Human Services Fund, Adult Education Fund, 911 Fund, Welfare to Work Fund, Workforce Investment Act Fund, and the Senior Citizens Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the McLean County Justice Center Corporation Debt Service Fund.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The McLean County Justice Center Corporation Capital Projects Fund of the fiscal court is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The McLean County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

Formal budgets are not adopted for the McLean County Justice Center Debt Service Fund and the McLean County Justice Center Capital Projects Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The McLean County Planning and Zoning Commission is a joint venture of the McLean County Fiscal Court and the cities of McLean County. Costs of the commission are shared on a pro rata basis.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.



MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivable

On June 14, 1999, the County entered into a lease with Meridian Aluminum Products, Inc., and the McLean County Industrial Foundation, Inc., for the properties previously used by Mespar Inc. The lease agreement was for the sum of \$736,000, payable in a series of 180 equal consecutive monthly payments of \$7,268, with the first installment being due on the 14<sup>th</sup> day of December 1999. The payments represent principal and interest thereon at the rate of 8.75% per annum. The balance of the principal and interest, if any, shall be due and payable on or before the 14<sup>th</sup> day of May 2015. Payments are made to First Security Bank, and distributed to various third-parties.

As of June 30, 2001, the fiscal court had received eleven payments totaling \$13,467. The June payment was not received until July 3, 2001. Meridian appears to be in substantial compliance with terms of the agreement.

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. McLean County, Kentucky Justice Center Corporation Bonds

The McLean County, Kentucky Justice Center Corporation entered into a new bond issue, McLean County, Kentucky Justice Center Corporation First Mortgage Revenue Bonds (Courthouse Annex Project), Series 2001A on March 2, 2001, for the purpose of financing the costs of construction of the expansion of the McLean County Court facilities; to capitalize interest during construction; and to pay the costs of issuance of the bonds. The issue amount of the bonds was \$3,550,000.

The McLean County, Kentucky Justice Center Corporation and the McLean County Fiscal Court entered into a lease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which the AOC wishes to use the courts facility and will lease from the corporation the courts facility. The lease is renewable July 1 for a period of two years. Rental payments are due semiannually on March 1 and September 1, of each year. The interest rate on the bonds is 4.0% and 5.0%. The outstanding principal balance as of June 30, 2001 was \$3,550,000. Future debt requirements are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$	\$ 166,850
2002-2003	80,000	166,850
2003-2004	85,000	163,650
2004-2005	90,000	160,250
2005-2006	90,000	156,650
2006-2011	525,000	724,360
2011-2016	640,000	600,595
2016-2021	805,000	432,723
2021-2026	1,010,000	212,000
2027	225,000	11,250
Totals	<u>\$ 3,550,000</u>	<u>\$ 2,795,178</u>

Note 6. Capital Leases

Fire Department and Community Center

On November 12, 1998, the McLean County Fiscal Court refinanced and consolidated through Kentucky Area Development District Leasing Fund (KADD) two loans previously held by First Security Bank and Trust of Island, Kentucky. The loans were originally for the construction of the Beech Grove Fire Station and Community Center for \$105,000, and additional construction on the same buildings for \$45,000. The total amount refinanced for both loans was \$116,000 at 5.10% for 7 years with semi-annual payments due on the 20<sup>th</sup> of May and November. As of June 30, 2001, the principal balance outstanding was \$79,500. Future debt requirements of the Fire Department Fund are as follows:

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 6. Capital Leases (Continued)

Fire Department and Community Center (Continued)

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 16,000	\$ 3,853
2002-2003	16,900	3,027
2003-2004	17,800	2,152
2004-2005	18,700	1,234
2005-2006	10,100	258
Totals	<u>\$ 79,500</u>	<u>\$ 10,524</u>

911 Equipment

On January 1, 1998, the McLean County Fiscal Court borrowed \$147,000, from Kentucky Area Development District Leasing Fund (KADD) for the purchase of a 911 emergency dispatch system. The interest rate is 5.25% with semi-annual payments due on the 20<sup>th</sup> of May and November for 5 years. The principal balance at June 30, 2001 was \$53,300. Future debt requirements of the 911 Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 31,400	\$ 2,392
2002-2003	21,900	719
Totals	<u>\$ 53,300</u>	<u>\$ 3,111</u>

Ambulance

On November 12, 1998, the McLean County Fiscal Court borrowed \$29,000 from Kentucky Area Development District Leasing Fund (KADD) for the purchase of an ambulance. The interest rate is 4.85%, with semi-annual payments due on the 20<sup>th</sup> of May and November for 6 years. The principal balance at June 30, 2001 was \$5,100. Future debt requirements of the Ambulance Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 5,100	\$ 124
Totals	<u>\$ 5,100</u>	<u>\$ 124</u>

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 6. Capital Leases (Continued)

Grader

On July 14, 1999, the McLean County Fiscal Court borrowed \$98,826 from Kentucky Association of Counties Leasing Trust for the purchase of a grader. The interest rate is 3.75%, with monthly payments for seven years. The principal balance at June 30, 2001 was \$74,485. Future debt requirements of the Road Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 13,399	\$ 3,611
2002-2003	14,010	2,256
2003-2004	14,649	1,601
2004-2005	15,317	1,008
2005-2006	16,016	389
Thereafter	1,094	4
Totals	<u>\$ 74,485</u>	<u>\$ 8,869</u>

Sheriff Vehicles

On September 11, 2000, the McLean County Fiscal Court borrowed \$40,924 from Kentucky Association of Counties Leasing Trust for the purchase of vehicles for the Sheriff's office. The interest rate is 4.78%, with monthly payments for two years. The principal balance at June 30, 2001 was \$26,030. Future debt requirements of the General Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 20,700	\$ 960
2002-2003	5,330	51
Totals	<u>\$ 26,030</u>	<u>\$ 1,011</u>

Waterlines

On December 31, 1999, the McLean County Fiscal Court borrowed \$85,784 from Kentucky Area Development District Leasing Fund (KADD) for the construction of waterlines. The interest rate is 5.65%, with semi-annual payments due on the 20<sup>th</sup> of May and November for 7 years. The principal balance at June 30, 2001 was \$53,600. Future debt requirements of the General Fund are as follows:

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 6. Capital Leases (Continued)

Waterlines (Continued)

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 4,700	\$ 3,150
2002-2003	9,600	2,630
2003-2004	10,100	2,079
2004-2005	10,700	1,500
2005-2006	11,400	887
Thereafter	7,100	234
Totals	<u>\$ 53,600</u>	<u>\$ 10,480</u>

Courthouse

On May 25, 2000, the McLean County Fiscal Court borrowed \$255,000 from Kentucky Area Development District Leasing Fund (KADD) for the improvement of the courthouse. The interest rate is 5.40%, with semi-annual payments due on the 1<sup>st</sup> of December and June for 2 years. The principal balance at June 30, 2001 was \$255,000. Future debt requirements of the General Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 255,000	\$ 14,670
Totals	<u>\$ 255,000</u>	<u>\$ 14,670</u>

Courthouse Repairs

On May 25, 2000, the McLean County Fiscal Court borrowed \$230,000 from Kentucky Area Development District Leasing Fund (KADD) for repairs to the courthouse. The interest rate is 5.40%, with semi-annual payments due on the 1<sup>st</sup> of December and June for 1 year. The principal balance at June 30, 2001 was \$230,000. Future debt requirements of the General Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
May 2001	\$ 230,000	\$
Totals	<u>\$ 230,000</u>	<u>\$ 0</u>

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 6. Capital Leases (Continued)

Health Department

On May 10, 2001, the McLean County Fiscal Court borrowed \$300,000 from Kentucky Area Development District Leasing Fund (KADD) for the improvement of the health department. The interest rate is 5.44%, with semi-annual payments due on the 20<sup>th</sup> of May and November for 10 years. The principal balance at June 30, 2001 was \$300,000. Future debt requirements of the General Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$	\$ 17,963
2002-2003	25,000	16,312
2003-2004	25,000	14,938
2004-2005	25,000	13,563
2005-2006	25,000	12,187
2006-2011	160,000	36,325
2011-2012	40,000	1,350
Totals	<u>\$ 300,000</u>	<u>\$ 112,638</u>

Highway 136 Sewer Project

On September 19, 2000, the McLean County Fiscal Court borrowed \$72,000 from Green River Area Development District (GRADD) for the Highway 136 Sewer Project. The interest rate is 5.50%, with semi-annual payments due on the 1<sup>st</sup> of May and November for 7 years. The principal balance at June 30, 2001 was \$67,714. Future debt requirements of the Community Development Block Grant-Revolving Loan Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 9,124	\$ 1,980
2002-2003	9,726	3,128
2003-2004	10,119	2,247
2004-2005	10,528	1,854
2005-2006	10,953	1,446
Thereafter	17,264	695
Totals	<u>\$ 67,714</u>	<u>\$ 11,350</u>

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 6. Capital Leases (Continued)

Gas Lines

On May 5, 1998, the McLean County Fiscal Court borrowed \$200,000 from Kentucky Area Development District Leasing Fund (KADD) for the extension of gas lines. The interest rate is 4.87%, with semi-annual payments due on the 20<sup>th</sup> of May and November for 6 years. The principal balance at June 30, 2001 was \$200,000. Future debt requirements of the Local Government Economic Assistance Fund are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
May 2001	\$ 200,000	\$
Totals	<u>\$ 200,000</u>	<u>\$ 0</u>

Total amount to be provided for capital lease obligations-principal payments as of June 30, 2001 is \$1,344,729.

Note 7. Commitments and Contingencies

Industrial Revenue Bonds

The McLean County Fiscal Court has adopted an ordinance approving the issuance of \$2,800,000 Industrial Development Revenue Bonds (Smelter Service Corporation Project) Series 2002. The bond issue does not constitute a general debt, liability, or moral obligation of McLean County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of this bond issue.

Note 8. Subsequent Events

A. General Obligation Refunding & Improvement Notes - Series 2001

On July 23, 2001 the McLean County Fiscal Court issued \$340,000 of Series 2001 General Obligation Refunding & Improvement Notes for the purpose of debt retirement and construction funding of a Career Center. The notes will mature on July 1, 2003 and have an interest rate of 4.5%.

B. Kentucky Association of Counties Leasing Trust Program (KACoLT)

On July 25, 2001, the McLean County Fiscal Court entered into a capital lease project for the purpose of funding sewer line construction in Rumsey, Kentucky. The lease amount was \$400,000 to be repaid over 20 years at an interest rate of 4.30%. The final payment is scheduled for February 21, 2021.

MCLEAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 8. Subsequent Events (Continued)

C. Kentucky Area Development Districts Financing Trust

On December 3, 2001 the McLean County Fiscal Court entered into a capital lease with the Kentucky Area Development Districts Financing Trust for the purpose of retiring debt of \$218,924 and completing renovations to the McLean County courthouse. The lease amount was for \$295,000 at an average interest rate of 5.47%. Principal and interest payments are due twice annually on April 20<sup>th</sup> and October 20<sup>th</sup>. The lease term is 25 years with the final payment due on October 20, 2027.

Note 9. Insurance

For the fiscal year ended June 30, 2001, McLean County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.



COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



MCLEAN COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,731,572	\$ 1,067,580	\$ (663,992)
Road and Bridge Fund	812,054	1,028,603	216,549
Jail Fund	227,420	33,924	(193,496)
Local Government Economic Assistance Fund	475,600	73,774	(401,826)
<u>Special Revenue Fund Type</u>			
Ambulance Fund	476,728	303,149	(173,579)
Fire Department Fund	231,505	147,392	(84,113)
Community Development Block Grant- Revolving Loan Fund	850,100	40,338	(809,762)
Health and Human Services Fund	538,315	222,260	(316,055)
Adult Education Fund	41,978	22,303	(19,675)
911 Fund	204,303	170,969	(33,334)
Welfare to Work Fund	46,104	26,631	(19,473)
Workforce Investment Act Fund	88,845	68,824	(20,021)
Senior Citizens Fund	62,344	30,903	(31,441)
Totals	<u>\$ 5,786,868</u>	<u>\$ 3,236,650</u>	<u>\$ (2,550,218)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above		\$ 5,786,868	
Add: Budgeted Prior Year Surplus		266,843	
Less: Other Financing Uses		<u>(577,714)</u>	
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures		<u>\$ 5,475,997</u>	

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SCHEDULE OF OPERATING REVENUE



MCLEAN COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES		
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
Taxes	\$ 996,046	\$ 882,813	\$ 113,233
Excess Fees	41,172	41,172	
Licenses and Permits	538	538	
Intergovernmental Revenues	1,326,289	1,057,513	268,776
Charges for Services	356,906	41,910	314,996
Miscellaneous Revenues	503,609	172,315	331,294
Interest Earned	12,090	7,620	4,470
Total Operating Revenue	<u>\$ 3,236,650</u>	<u>\$ 2,203,881</u>	<u>\$ 1,032,769</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



MCLEAN COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,010,925	\$ 618,331	\$ 392,594
Protection to Persons and Property	313,831	248,687	65,144
General Health and Sanitation	94,172	37,887	56,285
Social Services	13,000	7,119	5,881
Recreation and Culture	68,800	50,981	17,819
Transportation Facilities and Services	122,312	48,153	74,159
Roads	711,344	629,474	81,870
Capital Projects	125,000		125,000
Debt Service	45,849	83,292	(37,443)
Administration	388,599	307,923	80,676
Total Operating Budget - General Fund Type	\$ 2,893,832	\$ 2,031,847	\$ 861,985
Other Financing Uses:			
Capital Lease Agreements - Principal			
Courthouse Operating Loan	230,000		230,000
Gas Lines	200,000		200,000
Grader	12,814	12,813	1
Waterline	70,000	13,000	57,000
Historic Preservation		20,000	(20,000)
Sheriff Vehicles		14,894	(14,894)
TOTAL BUDGET - GENERAL FUND TYPE	\$ 3,406,646	\$ 2,092,554	\$ 1,314,092

MCLEAN COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2001  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 155,232	\$ 107,358	\$ 47,874
Protection to Persons and Property	681,575	625,233	56,342
General Health and Sanitation	1,402,500	617,863	784,637
Social Services	52,628	47,161	5,467
Debt Service	36,239	9,224	27,015
Administration	253,991	117,355	136,636
Total Operating Budget - Special Revenue Fund Type	\$ 2,582,165	\$ 1,524,194	\$ 1,057,971
Other Financing Uses:			
Capital Lease Agreements - Principal			
Ambulance	9,900	9,900	
Fire Pumper Truck	10,000		10,000
Fire Station	15,200	15,200	
Sewer Project		4,286	(4,286)
E-911 Equipment	29,800	29,800	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 2,647,065</u>	<u>\$ 1,583,380</u>	<u>\$ 1,063,685</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Whitaker, McLean County Judge/Executive

Members of the McLean County Fiscal Court

**Report On Compliance And On Internal Control**  
**Over Financial Reporting Based On An Audit Of Financial**  
**Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of McLean County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McLean County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McLean County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 6, 2002



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

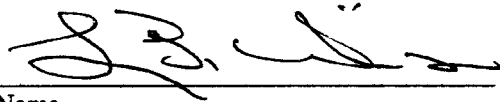
MCLEAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2001

**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS**  
**McLEAN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

The McLean County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name  
County Judge/Executive



Name  
County Treasurer

